

ALLEN PARISH WARD 3 FIRE PROTECTION
DISTRICT NO. 2
Reeves, Louisiana

A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY

ANNUAL FINANCIAL STATEMENTS

As of and For the Year Ended July 31, 2014

GATES & COMPANY, LLC
CERTIFIED PUBLIC ACCOUNTANTS
P.O. BOX 1238
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Allen Parish Ward 3 Fire Protection District No. 2
Annual Financial Statements
As of and for the Year Ended 07/31/2014
With Supplementary Information Schedules

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INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

Board of Commissioners
Allen Parish Ward 3 Fire Protection District No. 2
Reeves, Louisiana

We have compiled the accompanying financial statements of the governmental activities and each major fund of the Allen Parish Ward 3 Fire Protection District No. 2 (the District), component unit of the Allen Parish Police Jury, as of and for the year ended July 31, 2014, which collectively comprise the District's basic financial statements as listed in the table of contents. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

The management of the Allen Parish Ward 3 Fire Protection District No. 2 is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedule on page 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting and for placing the basic financial statements in an appropriate operational, economic, or historical context. Such information has been compiled by us without audit or review and accordingly, we do not express an opinion or provide any assurance on it.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting and for placing the basic financial statements in an appropriate operational, economic, or historical context.

Gates & Company, LLC

Gates & Company, LLC
November 24, 2014

BASIC FINANCIAL STATEMENTS

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

ALLEN PARISH WARD 3 FIRE PROTECTION DISTRICT NO. 2
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
Reeves, Louisiana
STATEMENT OF NET POSITION - Governmental Activities
July 31, 2014

| | GOVERNMENTAL ACTIVITIES |
|----------------------------------|----------------------------|
| ASSETS | |
| Cash | \$ 234,980 |
| Receivables | 614 |
| Prepaid insurance | 4,135 |
| Other assets | 685 |
| Capital assets (net) | 594,115 |
| | <hr/> |
| TOTAL ASSETS | 834,529 |
| | <hr/> |
| LIABILITIES | |
| Accounts payable | 421 |
| Interest payable | 3,334 |
| Bonds payable: | |
| Due within one year | 27,000 |
| Due in more than one year | 227,000 |
| | <hr/> |
| TOTAL LIABILITIES | 257,755 |
| | <hr/> |
| NET POSITION | |
| Net investment in capital assets | 335,360 |
| Restricted for debt service | 154,809 |
| Unrestricted | 86,605 |
| | <hr/> |
| TOTAL NET POSITION | \$ 576,774 |
| | <hr/> |

See accompanying notes and independent accountant's compilation report.

ALLEN PARISH WARD 3 FIRE PROTECTION DISTRICT NO. 2
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
Reeves, Louisiana
STATEMENT OF ACTIVITIES
For the Year Ended July 31, 2014

| Governmental Activities | Expenses | Program Revenues | | | Governmental Activities |
|---|-------------------|-------------------------|--|--|--|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Net (Expenses) Revenues and Changes In Net Position |
| General government | \$ 130,771 | \$ - | \$ - | \$ 7,099 | \$ (123,672) |
| Interest | 8,479 | - | - | - | (8,479) |
| Total governmental activities | <u>\$ 139,250</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 7,099</u> | <u>\$ (132,151)</u> |
| GENERAL REVENUES: | | | | | |
| Property taxes, levied for general purposes | | | | | 103,186 |
| Interest | | | | | <u>181</u> |
| Total General Revenues | | | | | <u>103,367</u> |
| CHANGE IN NET POSITION | | | | | (28,784) |
| NET POSITION - BEGINNING | | | | | <u>605,558</u> |
| NET POSITION - ENDING | | | | | <u>\$ 576,774</u> |

See accompanying notes and independent accountant's compilation report.

FUND FINANCIAL STATEMENTS

ALLEN PARISH WARD 3 FIRE PROTECTION DISTRICT NO. 2
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
Reeves, Louisiana
Balance Sheet, Governmental Funds
July 31, 2014

| | MAJOR FUNDS | | |
|--|-------------------|-------------------------|--------------------------------|
| | GENERAL FUND | DEBT SERVICE FUND | TOTAL GOVERNMENTAL FUNDS |
| ASSETS | | | |
| Assets: | | | |
| Cash | \$ 82,559 | \$ 152,421 | \$ 234,980 |
| Due from other fund | - | 2,116 | 2,116 |
| Other assets | 685 | - | 685 |
| Receivables | 342 | 272 | 614 |
| | <u> </u> | <u> </u> | <u> </u> |
| TOTAL ASSETS | <u>\$ 83,586</u> | <u>\$ 154,809</u> | <u>\$ 238,395</u> |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts payable | \$ 421 | \$ - | \$ 421 |
| Due to other fund | 2,116 | - | 2,116 |
| | <u> </u> | <u> </u> | <u> </u> |
| TOTAL LIABILITIES | <u>2,537</u> | <u>-</u> | <u>2,537</u> |
| Fund Balances: | | | |
| Nonspendable - prepaids | 685 | - | 685 |
| Restricted for: | | | |
| Debt service | - | 154,809 | 154,809 |
| Unassigned | 80,364 | - | 80,364 |
| | <u> </u> | <u> </u> | <u> </u> |
| TOTAL FUND BALANCES | <u>81,049</u> | <u>154,809</u> | <u>235,858</u> |
| | <u> </u> | <u> </u> | <u> </u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 83,586</u> | <u>\$ 154,809</u> | <u>\$ 238,395</u> |

See accompanying notes and independent accountant's compilation report.

ALLEN PARISH WARD 3 FIRE PROTECTION DISTRICT NO. 2
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
 Reeves, Louisiana
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position
For the Year Ended July 31, 2014

| | | |
|---|----|---------|
| TOTAL FUND BALANCES FOR GOVERNMENTAL FUNDS AT JULY 31, 2014 | \$ | 235,858 |
|---|----|---------|

Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

| | |
|---|---------|
| Capital assets, net of accumulated depreciation | 594,115 |
|---|---------|

| | |
|---|-------|
| Certain insurance cost which are reported as expenditures in the year incurred in the governmental funds will benefit future periods and are recorded as prepaid insurance on the statement of net position | 4,135 |
|---|-------|

Certain liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities are reported in the statement of net position:

| | |
|--------------------------|-----------|
| Bonds payable | (254,000) |
| Accrued interest payable | (3,334) |

| | | |
|--|----|----------------|
| TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES AT JULY 31, 2014 | \$ | <u>576,774</u> |
|--|----|----------------|

See accompanying notes and independent accountant's compilation report.

ALLEN PARISH WARD 3 FIRE PROTECTION DISTRICT NO. 2
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
Reeves, Louisiana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended July 31, 2014

| | MAJOR FUNDS | | TOTAL |
|--|------------------|-------------------------|-----------------------|
| | GENERAL FUND | DEBT SERVICE FUND | GOVERNMENTAL FUNDS |
| REVENUES | | | |
| Ad valorem taxes | \$ 57,319 | \$ 45,867 | \$ 103,186 |
| Interest | 76 | 105 | 181 |
| Other income | 7,099 | - | 7,099 |
| Total Revenues | <u>64,494</u> | <u>45,972</u> | <u>110,466</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Advertising | 255 | - | 255 |
| Bookkeeping | 1,925 | - | 1,925 |
| Fire chief compensation | 3,600 | - | 3,600 |
| Fuel | 3,357 | - | 3,357 |
| Insurance | 18,404 | - | 18,404 |
| Legal & professional | 4,010 | - | 4,010 |
| Miscellaneous | 1 | - | 1 |
| Office supplies | 726 | - | 726 |
| Pension expense | 1,807 | 1,445 | 3,252 |
| Per diem | 1,375 | - | 1,375 |
| Repairs & maintenance | 11,553 | - | 11,553 |
| Sewer fee | 165 | - | 165 |
| Training | 984 | - | 984 |
| Utilities | 8,175 | - | 8,175 |
| Volunteer firefighter compensation | 290 | - | 290 |
| Debt service: | | | |
| Principal retirement | - | 26,000 | 26,000 |
| Interest | - | 8,820 | 8,820 |
| Bond fees | - | 250 | 250 |
| Total Expenditures | <u>56,627</u> | <u>36,515</u> | <u>93,142</u> |
| EXCESS (Deficiency) OF REVENUES OVER (Under) EXPENDITURES | <u>7,867</u> | <u>9,457</u> | <u>17,324</u> |
| NET CHANGE IN FUND BALANCES | 7,867 | 9,457 | 17,324 |
| FUND BALANCES AT BEGINNING OF YEAR | <u>73,182</u> | <u>145,352</u> | <u>218,534</u> |
| FUND BALANCES AT END OF YEAR | <u>\$ 81,049</u> | <u>\$ 154,809</u> | <u>\$ 235,858</u> |

See accompanying notes and independent accountant's compilation report.

ALLEN PARISH WARD 3 FIRE PROTECTION DISTRICT NO. 2
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
Reeves, Louisiana
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended July 31, 2014

| | |
|---|-----------|
| NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUNDS INCREASE (DECREASE) | \$ 17,324 |
|---|-----------|

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures, however, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay:

| | | |
|----------------------|----------|----------|
| Depreciation expense | (67,634) | (67,634) |
|----------------------|----------|----------|

In the statement of activities some expenses do not require the use of current financial resources and are not reported as expenditures in the governmental funds:

| | |
|---------------------------------|---------|
| Accrued interest expense | 342 |
| Bond issue amortization expense | (4,881) |

The governmental funds report certain expenditures when paid, where the statement of activities record expenditures in the period benefited as follows:

| | |
|-------------------|----|
| Prepaid insurance | 65 |
|-------------------|----|

Repayment of bond principal is an expenditure in the governmental funds, but reduces liabilities in the statement of net position

| |
|--------|
| 26,000 |
|--------|

| | |
|---|-------------|
| CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES | \$ (28,784) |
|---|-------------|

See accompanying notes and independent accountant's compilation report.

NOTES TO THE FINANCIAL STATEMENTS

ALLEN PARISH WARD 3 FIRE PROTECTION DISTRICT NO. 2
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY

Reeves, Louisiana

Notes to the Financial Statements

As of and for the Year Ended July 31, 2014

INTRODUCTION

Allen Parish Ward 3 Fire Protection District No. 2 was created under the provisions of Louisiana Revised Statutes 40:1492-1501. The District was created for the purpose of providing fire protection for the people of Ward 3 of Allen Parish. The District is governed by five commissioners whom are appointed by the Allen Parish Police Jury and are compensated on a per diem basis. The District utilizes volunteer firemen.

Financial Reporting Entity

This report includes all funds which are controlled by or dependent on the Commissioners. Control by or dependence on the District was determined on the basis of budget adoption, taxing authority, authority to issue debt, election or appointment of governing body, ability to impose a financial benefit/burden, fiscal dependency, and other general oversight responsibility.

Based on the foregoing criteria, Allen Parish Ward 3 Fire Protection District No. 2 has no other fiscal or significant managerial responsibility over any other governmental unit that is not included in the financial statements of Ward 3 Fire Protection District No. 2 of Allen Parish, Louisiana. The District is a component unit of the Allen Parish Police Jury.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Allen Parish Ward 3 Fire Protection District No. 2 (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of these notes.

Such accounting and reporting procedures also conform to the requirements of the Louisiana Revised Statutes 24.517 and to the guidance set forth in the industry audit guide, Audits of State and Local Governments, issued by the American Institute of Certified Public Accountants and the Louisiana Governmental Audit Guide.

A. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Allen Parish Ward 3 Fire Protection District No. 2. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are summarized by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Separate financial statements are provided for governmental funds and proprietary funds. All individual governmental funds and individual enterprise funds are reported as separate columns in the fund financial statements.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, expenses, gains and losses are measured and reported using the economic resources measurement focus and accrual basis of accounting.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District maintains two funds. They are categorized as governmental funds. The emphasis on fund financial statements is on major governmental funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the entity or meets the following criteria:

- a. Total assets, deferred outflows, liabilities, deferred inflows, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, deferred outflows, liabilities, deferred inflows, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The major funds are described below:

1. General Fund –the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.
2. Debt Service Fund – is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. General revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

The District reports deferred inflows of resources on its governmental fund balance sheet. For governmental fund financial statements, deferred inflows arise when potential revenue does not meet both the "measureable" and "available" criteria for recognition in the current period. Deferred inflows also arise when resources are received before the District has a legal claim to them as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the deferred inflow is removed from the balance sheet and revenue is recognized.

C. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State law and the Allen Parish Ward 3 Fire Protection District No. 2's investment policy allow the District to invest in collateralized certificates of deposits, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities.

D. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

The District does not use a valuation account for bad debts and considers its method to not result in an outcome that differs materially from results if the allowance method had been used.

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied in September or October and are actually billed to the taxpayers in November. Billed taxes are due by December 31, becoming delinquent on January 1 of the following year. Property taxes not paid by the end of February are subject to lien. The following is a summary of authorized and levied ad valorem taxes:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

| | |
|----------------|-------------------------------------|
| | Authorized And Levied Millage |
| Taxes due for: | |
| Maintenance | 8.95 mills |

E. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. As of July 31, 2014, all assets are capitalized at historical cost. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Allen Parish Ward 3 Fire Protection District No. 2 maintains a threshold level of \$2,500 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

| <u>Description</u> | <u>Estimated Lives</u> |
|-------------------------------------|----------------------------|
| Buildings and building improvements | 10-35 years |
| Equipment | 7-10 years |
| Vehicles | 20 years |

F. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities type statement of net position

In the fund financial statements, governmental fund types recognize bond issuance costs during the current period. The face amount of the debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

G. Deferred Outflows of Resources and Deferred Inflows of Resources

In some instances, the GASB requires an entity to delay recognition of decreases in net position/fund balance as expenditures until a future period. In other instances, entities are required to delay recognition of increases in net position/fund balance as revenues until a future period. In these circumstances, deferred outflows of resources and deferred inflows of resources result from the delayed recognition of expenditures or revenues, respectively.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

H. Equity Classifications

In the government-wide statements, equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgage, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

In the fund financial statements, governmental fund equity is classified as fund balance. Fund balance of the governmental funds are classified as follows:

1. *Nonspendable*, such as fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned),
2. *Restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation,
3. *Committed* fund balance classification includes amounts that can be used only for the specific purposes determined by a formal decision of the Fire District's Board of Commissioners (the District's highest level of decision-making authority),
4. *Assigned* fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Intent can be expressed by the Board of Commissioners or by an official or body to which the Board of Commissioners delegates the authority, and
5. *Unassigned* fund balance is all other spendable amounts.

When an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spend first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District has provided otherwise in its commitment or assignment actions.

The calculation of fund balance amounts begins with the determination of non-spendable fund balances. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Then any remaining fund balance amounts for the non-general funds are classified as restricted fund

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

balance. It is possible for the non-general funds to have negative unassigned fund balance when non-spendable amounts plus the restricted fund balances for specific purposes amounts exceed the positive fund balance for the non-general fund.

As of July 31, 2014, the District did not have any assigned or committed fund balances. The District had a non-spendable fund balance in the general fund of \$685 for utility deposits and a restricted fund balance in the debt service fund of \$154,809 for future debt service.

I. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The Allen Parish Ward 3 Fire Protection District No. 2 uses the following budget practices:

A budget is adopted on a basis consistent with generally accepted accounting principles. An annual appropriated budget is adopted for the General Fund. All annual appropriations lapse at fiscal year end.

On or before the last meeting of each year, the budget is prepared by fund, function, and activity and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year.

The proposed budget is presented to the District's Board of Commissioners for review. The board holds a public hearing and may add to, subtract from, or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated. There were no amendments to the budget in 2014.

3. CASH AND CASH EQUIVALENTS

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it.

In accordance with a fiscal agency agreement that is approved by the Board of Commissioners, the District maintains demand and time deposits through local depository banks that are members of the Federal Reserve System.

Interest rate risk. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of credit risk. The District places no limit on the amount the District may invest in any one issuer.

Allen Parish Ward 3 Fire Protection District No. 2
Notes to the Financial Statements (Continued)

3. CASH AND CASH EQUIVALENTS

At July 31, 2014, the Allen Parish Ward 3 Fire Protection District No. 2 has cash and cash equivalents (book balances) totaling \$234,980 as follows:

| | |
|----------------------------------|-------------------|
| Interest-bearing demand deposits | \$ 234,980 |
| Time deposits | - |
| Other | - |
| Total | <u>\$ 234,980</u> |

At July 31, 2014, the Allen Parish Ward 3 Fire Protection District No. 2 has \$235,361 in deposits (collected bank balances). These deposits are secured from risk by \$250,000 of federal deposit insurance.

4. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivables/payables consist of the outstanding balances from activity between funds. These balances are expected to be repaid during 2014.

Due To/From Other Funds:

| Receivable Fund | Payable Fund | |
|-------------------|--------------|-----------------|
| Debt Service Fund | General Fund | \$ 2,116 |
| | Total | <u>\$ 2,116</u> |

5. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended July 31, 2014, is as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|----------------------|--------------------|-------------|---------------------|
| Capital assets being depreciated: | | | | |
| Buildings & building improvements | \$ 165,125 | \$ - | \$ - | \$ 165,125 |
| Equipment | 233,880 | - | - | 233,880 |
| Vehicles | 920,833 | - | - | 920,833 |
| Total capital assets being depreciated | <u>\$ 1,319,838</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,319,838</u> |
| Less accumulated depreciation for: | | | | |
| Buildings & building improvements | \$ 90,143 | \$ 7,430 | \$ - | \$ 97,573 |
| Equipment | 151,968 | 16,168 | - | 168,136 |
| Vehicles | 415,978 | 44,036 | - | 460,014 |
| Total accumulated depreciation | <u>\$ 658,089</u> | <u>\$ 67,634</u> | <u>\$ -</u> | <u>\$ 725,723</u> |
| Total capital assets being depreciated, net | <u>\$ 661,749</u> | <u>\$ (67,634)</u> | <u>\$ -</u> | <u>\$ 594,115</u> |

Allen Parish Ward 3 Fire Protection District No. 2
Notes to the Financial Statements (Continued)

5. CAPITAL ASSETS

Depreciation expense of \$67,634 for the year ended July 31, 2014 was charged to the following governmental functions:

| | |
|--------------------|------------------|
| General Government | <u>\$ 67,634</u> |
|--------------------|------------------|

6. LONG-TERM OBLIGATIONS

The following is a summary of the long-term obligation transactions for the year ended July 31, 2014.

| | |
|--|-------------------|
| | Bonded Debt |
| Long-term obligations at Beginning of Year | <u>\$ 280,000</u> |
| Additions | - |
| Deductions | <u>26,000</u> |
| Long-term obligations at End of Year | <u>\$ 254,000</u> |

The following is a summary of the current (due in one year or less) and the long-term (due in more than one year) portions of long-term obligations as of July 31, 2014.

| | |
|-------------------|-------------------|
| | Bonded Debt |
| Current portion | <u>\$ 27,000</u> |
| Long-term portion | <u>227,000</u> |
| Total | <u>\$ 254,000</u> |

The District bond outstanding at July 31, 2014 is a general obligation bond with maturities to 2022 and an interest rate of 3.15%. Bond principal and interest payable in the next fiscal year are \$27,000 and \$8,001 respectively. The individual issue is as follows:

| Bond | Original Issue | Interest Rate | Final Payment Due | Interest to Maturity | Principal Outstanding | Funding Source |
|----------------------|----------------|---------------|-------------------|----------------------|-----------------------|------------------|
| C.O.I. Series 2007-A | \$ 357,000 | 3.15 % | March 1, 2022 | \$ 37,864 | \$ 254,000 | Ad valorem taxes |

All principal and interest requirements are funded in accordance with Louisiana law by the annual ad valorem tax levy on taxable property within the District. At July 31, 2014, the Allen Parish Ward 3 Fire Protection District No. 2 has accumulated \$152,421 in the debt service fund for future debt requirements. The bonds are due as follows:

6. LONG-TERM OBLIGATIONS

| Year Ending July 31, | Principal Payments | Interest Payments | Total |
|-------------------------|-----------------------|----------------------|-------------------|
| 2015 | \$ 27,000 | \$ 8,001 | \$ 35,001 |
| 2016 | 28,000 | 7,151 | 35,151 |
| 2017 | 30,000 | 6,268 | 36,268 |
| 2018 | 31,000 | 5,324 | 36,324 |
| 2019 | 32,000 | 4,347 | 36,347 |
| 2020-2022 | 106,000 | 6,773 | 112,773 |
| Total | <u>\$ 254,000</u> | <u>\$ 37,864</u> | <u>\$ 291,864</u> |

On September 1, 2012, the District negotiated a lower interest rate on the outstanding \$305,000 of C.O.I Series 2007-A. This resulted in a decrease in total debt payments over the next 9 years and a decrease in the maximum interest rate changed from the original 4.24% to the new maximum rate of 3.15%.

7. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains commercial insurance coverage covering each of these risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. The District did not reduce insurance coverage during the year ended July 31, 2014.

8. PER DIEM

As provided by Louisiana Revised Statute 40:1498, each commissioner may receive \$25 per diem for attending regular and special monthly meetings. A detail of compensation paid to the President of the Board, board members, and fire chief for the year ended July 31, 2014 follows:

| | |
|----------------------------|-----------------|
| Carl Ritter | \$ 250 |
| Luther Miller | 225 |
| Georgia Fruge, President | 275 |
| Rusty Reeves | 125 |
| Paula Lee | 250 |
| Allen Hurlburt, Fire Chief | 250 |
| Total | <u>\$ 1,375</u> |

9. SUBSEQUENT EVENT REVIEW

The District's management has evaluated subsequent events through November 24, 2014, the date which the financial statements were available to be issued.

10. ACCOUNTING CHANGE

During the fiscal year ended July 31, 2014, the Allen Parish Ward 3 Fire Protection District No. 2 adopted Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which provides clarity for reporting deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. Certain items previously reported as assets or liabilities are now reported as deferred outflows of resources or deferred inflows of resources.

REQUIRED SUPPLEMENTARY INFORMATION

ALLEN PARISH WARD 3 FIRE PROTECTION DISTRICT NO. 2
A Component Unit of the Allen Parish Police Jury
Governmental Funds - General Fund
Budgetary Comparison Schedule
For the Year Ended July 31, 2014

| | <u>BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE FAVORABLE (UNFAVORABLE)</u> |
|--|-------------------------|-------------------------|---|
| REVENUES | | | |
| Ad valorem taxes | \$ 55,821 | \$ 57,319 | \$ 1,498 |
| Interest | 38 | 76 | 38 |
| Other revenues | 7,099 | 7,099 | - |
| Total Revenues | <u>62,958</u> | <u>64,494</u> | <u>1,536</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Advertising | 600 | 255 | 345 |
| Bookkeeping | 2,100 | 1,925 | 175 |
| Fire chief compensation | 3,600 | 3,600 | - |
| Fuel | 3,200 | 3,357 | (157) |
| Insurance | 18,050 | 18,404 | (354) |
| Legal & professional | 3,615 | 4,010 | (395) |
| Miscellaneous | - | 1 | (1) |
| Office supplies | 1,000 | 726 | 274 |
| Pension expense | - | 1,807 | (1,807) |
| Per diem | 1,600 | 1,375 | 225 |
| Repairs & maintenance | 11,700 | 11,553 | 147 |
| Sewer fee | 180 | 165 | 15 |
| Training | 2,500 | 984 | 1,516 |
| Utilities | 5,000 | 8,175 | (3,175) |
| Volunteer firefighter compensation | - | 290 | (290) |
| Capital outlay | 5,000 | - | 5,000 |
| Total Expenditures | <u>58,145</u> | <u>56,627</u> | <u>1,518</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>4,813</u> | <u>7,867</u> | <u>3,054</u> |
| NET CHANGE IN FUND BALANCE | 4,813 | 7,867 | 3,054 |
| FUND BALANCE AT BEGINNING OF YEAR | <u>73,182</u> | <u>73,182</u> | <u>-</u> |
| FUND BALANCE AT END OF YEAR | <u><u>\$ 77,995</u></u> | <u><u>\$ 81,049</u></u> | <u><u>\$ 3,054</u></u> |

Notes to the Schedule:

The budget is adopted on a basis consistent with generally accepted accounting principles.

The following expenditures were underbudgeted by 10% or more: miscellaneous, utilities, volunteer firefighter compensation and pension expense.

There were no amendments to the budget for the year ending July 31, 2014.

See independent accountant's compilation report.